

PERAC AUDIT REPORT



Greenfield Contributory Retirement System

JAN. 1, 2005 - DEC. 31, 2007



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

June 27, 2008

The Public Employee Retirement Administration Commission has completed an examination of the Greenfield Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2005 to December 31, 2007. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant findings to report.

We commend the Greenfield Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Robert Madison who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2007	2006	2005
Net Assets Available For Benefits:			
Cash	\$1,063,739	\$1,032,631	\$557,549
Equities	18,688,463	16,610,577	15,967,396
Pooled Domestic Equity Funds	4,005,490	3,995,563	3,946,858
Pooled International Equity Funds	0	6,965,161	4,378,899
Pooled Global Equity Funds	7,985,022	0	0
Pooled Domestic Fixed Income Funds	10,704,467	10,527,570	10,375,675
Pooled Alternative Investment Funds	240,844	29,565	0
Pooled Real Estate Funds	6,206,156	6,194,948	5,186,533
Interest Due and Accrued	1,926	2,665	845
Accounts Receivable	628,657	597,279	725,478
Accounts Payable	(133,447)	(136,434)	(185,432)
Total	<u>\$49,391,318</u>	<u>\$45,819,526</u>	<u>\$40,953,801</u>
Fund Balances:			
Annuity Savings Fund	\$11,335,502	\$10,652,651	\$10,084,408
Annuity Reserve Fund	4,219,040	4,125,379	4,025,322
Military Service Fund	3,166	3,147	3,128
Pension Fund	1,389,152	2,062,702	2,719,228
Pension Reserve Fund	32,444,458	28,975,647	24,121,715
Total	<u>\$49,391,318</u>	<u>\$45,819,526</u>	<u>\$40,953,801</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2005)	\$9,692,094	\$3,925,686	\$3,229,384	\$3,110	\$0	\$21,025,381	\$37,875,655
Receipts	1,106,670	118,083	2,418,887	19	374,819	3,088,730	7,107,208
Interfund Transfers	(402,702)	396,389	(1,291)	0	0	7,604	0
Disbursements	(311,654)	(414,836)	(2,927,753)	0	(374,819)	0	(4,029,062)
Ending Balance (2005)	10,084,408	4,025,322	2,719,228	3,128	0	24,121,715	40,953,801
Receipts	1,297,036	120,560	2,467,579	19	395,682	4,853,932	9,134,807
Interfund Transfers	(419,629)	422,614	(2,985)	0	0	0	0
Disbursements	(309,164)	(443,117)	(3,121,119)	0	(395,682)	0	(4,269,082)
Ending Balance (2006)	10,652,651	4,125,379	2,062,702	3,147	0	28,975,647	45,819,526
Receipts	1,478,822	123,371	2,563,439	19	491,004	3,468,870	8,125,526
Interfund Transfers	(441,026)	441,085	0	0	0	(58)	0
Disbursements	(354,945)	(470,795)	(3,236,989)	0	(491,004)	0	(4,553,734)
Ending Balance (2007)	<u>\$11,335,502</u>	<u>\$4,219,040</u>	<u>\$1,389,152</u>	<u>\$3,166</u>	<u>\$0</u>	<u>\$32,444,458</u>	<u>\$49,391,318</u>

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Members Deductions	\$1,133,196	\$1,051,406	\$971,687
Transfers from Other Systems	248,538	132,949	69,907
Member Make Up Payments and Re-deposits	15,168	7,419	1,936
Member Payments from Rollovers	19,893	46,474	7,157
Investment Income Credited to Member Accounts	62,027	58,788	55,984
Sub Total	1,478,822	1,297,036	1,106,670
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	123,371	120,560	118,083
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	98,952	99,922	99,633
Pension Fund Appropriation	110,877	120,979	181,017
Sub Total	2,353,610	2,246,678	2,138,237
Military Service Fund:			
Investment Income Credited to the Military Service Fund	19	19	19
Sub Total	19	19	19
Expense Fund:			
Investment Income Credited to the Expense Fund	491,004	395,682	374,819
Sub Total	491,004	395,682	374,819
Pension Reserve Fund:			
Federal Grant Reimbursement	21,215	20,207	20,220
Interest Not Refunded	1,384	1,742	1,466
Miscellaneous Income	0	13,390	277
Excess Investment Income	3,446,271	4,818,593	3,066,766
Sub Total	3,468,870	4,853,932	3,088,730
Total Receipts	\$8,125,526	\$9,134,807	\$7,107,208

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2007	2006	2005
Annuity Savings Fund:			
Refunds to Members	\$72,325	\$113,904	\$87,882
Transfers to Other Systems	<u>282,620</u>	<u>195,260</u>	<u>223,772</u>
Sub Total	<u>354,945</u>	<u>309,164</u>	<u>311,654</u>
Annuity Reserve Fund:			
Annuities Paid	470,795	443,117	414,836
Sub Total	<u>470,795</u>	<u>443,117</u>	<u>414,836</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	2,448,277	2,343,821	2,229,060
Survivorship Payments	165,053	155,672	136,066
Ordinary Disability Payments	15,806	22,960	23,357
Accidental Disability Payments	304,727	278,987	192,784
Accidental Death Payments	103,946	101,660	111,854
Section 101 Benefits	22,687	23,383	32,116
3 (8) (c) Reimbursements to Other Systems	<u>176,493</u>	<u>194,637</u>	<u>202,516</u>
Sub Total	<u>3,236,989</u>	<u>3,121,119</u>	<u>2,927,753</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	18,000	18,000	18,000
Salaries	56,365	55,582	53,963
Legal Expenses	3,725	3,200	3,750
Medical Expenses	0	0	0
Travel Expenses	3,983	2,835	1,987
Administrative Expenses	3,756	2,971	3,874
Furniture and Equipment	2,129	2,045	3,388
Management Fees	299,289	249,364	219,663
Custodial Fees	57,823	29,531	34,355
Consultant Fees	27,958	22,833	21,500
Service Contracts	14,933	6,546	11,552
Fiduciary Insurance	<u>3,043</u>	<u>2,775</u>	<u>2,788</u>
Sub Total	<u>491,004</u>	<u>395,682</u>	<u>374,819</u>
Total Disbursements	<u><u>\$4,553,734</u></u>	<u><u>\$4,269,082</u></u>	<u><u>\$4,029,062</u></u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006	2005
Investment Income Received From:			
Cash	\$56,891	\$40,303	\$17,575
Equities	322,213	308,372	217,846
Pooled or Mutual Funds	<u>442,758</u>	<u>331,752</u>	<u>316,677</u>
Total Investment Income	<u>821,861</u>	<u>680,427</u>	<u>552,098</u>
Plus:			
Realized Gains	2,226,445	2,145,112	1,135,101
Unrealized Gains	4,749,112	5,369,539	4,462,110
Interest Due and Accrued - Current Year	<u>1,926</u>	<u>2,665</u>	<u>845</u>
Sub Total	<u>6,977,484</u>	<u>7,517,316</u>	<u>5,598,055</u>
Less:			
Realized Loss	(867,631)	(1,086,647)	(768,209)
Unrealized Loss	(2,806,356)	(1,716,611)	(1,765,919)
Interest Due and Accrued - Prior Year	<u>(2,665)</u>	<u>(845)</u>	<u>(355)</u>
Sub Total	<u>(3,676,652)</u>	<u>(2,804,102)</u>	<u>(2,534,483)</u>
Net Investment Income	<u>4,122,692</u>	<u>5,393,641</u>	<u>3,615,670</u>
Income Required:			
Annuity Savings Fund	62,027	58,788	55,984
Annuity Reserve Fund	123,371	120,560	118,083
Expense Fund	491,004	395,682	374,819
Military Service Fund	<u>19</u>	<u>19</u>	<u>19</u>
Total Income Required	<u>676,421</u>	<u>575,048</u>	<u>548,904</u>
Net Investment Income	<u>4,122,692</u>	<u>5,393,641</u>	<u>3,615,670</u>
Less: Total Income Required	<u>676,421</u>	<u>575,048</u>	<u>548,904</u>
Excess Income To The Pension Reserve Fund	<u>\$3,446,271</u>	<u>\$4,818,593</u>	<u>\$3,066,766</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2007			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,063,739	2.2%	100%
Equities	18,688,463	38.2%	40%
Pooled Domestic Equity Funds	4,005,490	8.2%	40%
Pooled Global Equity Funds	7,985,022	16.3%	40%
Pooled Domestic Fixed Income Funds	10,704,467	21.9%	100%
Pooled Alternative Investment Funds	240,844	0.5%	10%
Pooled Real Estate Funds	<u>6,206,156</u>	<u>12.7%</u>	10%
Grand Total	<u>\$48,894,182</u>	<u>100.0%</u>	

For the year ending December 31, 2007, the rate of return for the investments of the Greenfield Retirement System was 9.16%. For the five-year period ending December 31, 2007, the rate of return for the investments of the Greenfield Retirement System averaged 11.83%. For the twenty-two-year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Greenfield Retirement System was 9.88%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Greenfield Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

December 4, 2006

In accordance with Investment Guideline 99-2, the Greenfield Retirement System is authorized to make a modest modification to its international equity management mandate with State Street Global Advisors. The System will transfer assets from its existing investment in the SSgA International Alpha fund into the SSgA All International Allocation Strategy. The new product is a fund of funds that invests primarily in the International Alpha Fund but also invests opportunistically in SSgA funds that focus on emerging markets, Canada, and international small cap. Various derivative instruments are permitted to be used in the pursuit of the funds' basic strategies; such use may exceed that envisioned by existing PERAC regulations. This modification will give the System greater diversification within its international equity allocation.

December 7, 2004

In accordance with Investment Guideline 99-2, the Greenfield Retirement Board is authorized to modify its fixed income mandate with Fidelity Management Trust Company. In order to achieve greater diversification in its fixed income portfolio, the Board is transferring from Fidelity's "core" portfolio to its "core plus" portfolio.

October 15, 2004

16.08 In accordance with Investment Guideline 99-2, the Greenfield Retirement Board is authorized to modify its fixed income mandate with Fidelity Management Trust Company. In order to gain broader diversification in its fixed income investments, the Board is transferring its assets from the Fidelity Broad Market Duration Commingled Pool, a "core" portfolio, to the FMTC Core Plus fund.

July 6, 2000

Restrictions pertaining to real estate and alternative investments contained in 840 CMR 19.01 remain in effect.

June 12, 2000

(I) The Greenfield Retirement Board, in response to PERAC Memo #44/99, has reviewed and eliminated supplemental regulations, with the aid of consultant Segal Advisors, with regards to restrictions on the percentage of holdings of equity and fixed income securities.

The following supplemental regulations were eliminated:

(a) September 30, 1993

20.03(I) Equity investments shall not exceed 40% of the portfolio valued at market, including international equities, which shall not exceed 5% of the portfolio valued at market.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

(b) October 31, 1996

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities, which shall not exceed 15% of the portfolio valued at market.

October 31, 1996

20.07(9) Commingled real estate shall not exceed 10% of the total book value of the portfolio at the time of purchase provided that:

(a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action;

(b) such personnel retain authority in the decision making process, and

(c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

September 30, 1993

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

20.04(1) United States based corporations and equities of foreign corporations.

April 17, 1989

(1) Real estate investments shall not exceed 2.5% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and limited partnerships, provided that:

(a) trust participants and limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee or general partner, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and

(b) such trustees or general partners retain authority in the decision making process, and

(c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Greenfield Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(I) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$667.92 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Greenfield Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

September 23, 2004

Supplemental regulations related to travel as submitted on August 27, 2003 was approved and is consistent with 840 CMR 2.00 et seq. And all provisions of 840 CMR 2.0, including 840 CMR 2.14 on violations will apply to the Board.

August 2, 2004

Rule 4a, 4b, 4c: All full time and part time members who work a minimum of twenty hours per week shall be granted one full year of creditable service for each year employed.

Rule 4g: Upon becoming a member, an employee may buy back time worked at less than twenty hours per week when they were ineligible for membership. Members who have their hours reduced to less than twenty hours per week shall continue membership with their creditable service prorated. Proration of part time creditable service (less than 20 hours per week) shall be based on full time equivalence of twenty hour per week.

May 25, 2004 (revised)

MEMBER UNITS

1. Town of Greenfield
2. Franklin County Technical School
3. Greenfield Housing Authority

ELIGIBILITY

1. Requirement for membership
 - a. Minimum of 20 hours per week
 - b. Permanent basis
 - c. Fire Call force
 - d. Police Reserve
 - e. Any paid official elected by popular vote can request to be a member by filing on a prescribed form written within 90 days after the date of assuming office.
2. Ineligible
 - a. Temporary, Seasonal or Intermittent Employees

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

- b. Franklin Hampshire Employment & Training Consortium (C.E.T.A.)
 - c. Crossing Guards
 - d. Poll workers
 - e. Tobacco Grants
 - f. Teachers
 - g. School nurses
3. Creditable Service
- a. Full-time members will receive one year of creditable service based on regular schedule worked for their department on a weekly basis. **Revised and renumbered 5/25/04.**
 - b. If a member works less than their normal scheduled workweek creditable service will be prorated accordingly. **Revised and renumbered 5/25/04.**
 - c. Teacher's Aides, School Lunch Employees & School Bus Drivers will receive 9 months of creditable service for each school year worked. If additional service were rendered in the summer months, creditable service would be adjusted. **Revised and renumbered 5/25/04.**
 - d. **Revised rule 4a, 4b, 4c 5/25/04. Rule now provides: All full time and part time members who work a minimum of twenty hours per week shall be granted one full year of creditable service.**
 - e. The Board shall credit as full time service not to exceed five years, that period of time during which a reserve or intermittent police officer or reserve, permanent intermittent or call fire fighter was on his/her respective list and was eligible for assignment to duty. In addition to the five years of creditable service allowed, the Board shall credit one day of service for each day worked in any year subsequent to the fifth year. Credit for such service shall not be conditioned upon the appointment as a permanent member of the police or fire department. (Chapter 32, section 4(2)(B) & 4(2)(B1/2)) Town accepted 4/16/03.
 - f. Elected officials receive a full year of creditable service for each year or partial year served.
 - g. Members that had been employed on a full-time basis, and left their accumulated deductions in the system, shall remain a member with a deduction for hours prorated on actual hours worked if their hours of employment are reduced. **Revised and renumbered 5/25/04.**
 - h. **Revised rule 4g, 5/25/04. Rule now provides: Upon becoming a member an employee may buy back time worked at less than twenty hours per week when they were ineligible for membership. Members who have their hours reduced to less than twenty hour per week shall continue membership with their creditable service prorated. Proration of part time creditable service (less than 20 hours per week) shall be based on full time equivalency of twenty hours per week.**
 - i. Full-time creditable service will be given to all inspectors: electrical, plumbing, sealer of eights and measures.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

RETIREMENT DEDUCTIONS REQUIRED

1. Base pay
2. Longevity
3. Incentive
4. Holiday Pay
5. Shift Differential
6. Pay above grade
7. Retroactive pay increases on the above pay types

PAY TYPES NOT ELIGIBLE FOR RETIREMENT DEDUCTIONS

1. Overtime
2. Clothing Allowance
3. Roll Call – Police Department
4. Pays received in lieu of working
5. Bonus
6. EARLY RETIREMENT INCENTIVES
7. Payments as a result of the member giving notice of retirement
8. On call coverage
9. Range pay – Police Department
10. Dry cleaning
11. Time Bank

VETERAN'S BUY-BACKS PURSUANT TO CHAPTER 71 OF THE ACTS OF 1996

1. A veteran has 180 days to respond after being notified of his/her right to purchase his/her military service. Information & forms required will be provided.
 - a. Veteran shall provide a form DD-214 showing eligibility as a "Veteran".
 - b. If eligible for creditable service, up to four years may be purchased.
 - c. Lump sum payment, partial payments, or minimum \$20.00 weekly payroll deductions are accepted. Payments must be completed within 5 years from the date the Board approves the application.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

CALCULATIONS

1. Part-time member will have their three-year average based on creditable service awarded. For instance a teacher's aide would have four school terms used to calculate their three-year average.
2. Full-time member's three-year average shall be calculated on their highest three-year average.

RETIREMENT PAYROLL

1. Payroll to be dated the last working day of the month.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Michael A. Kociela

Appointed Member: Betty Rice **Term Expires:** 12/30/10

Elected Member: William P. Devino Term Expires: 08/07/09

Elected Member: John T. Lyford Term Expires: 12/19/08

Appointed Member: Frances K. Stotz Term Expires: 12/30/10

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex-officio Member:)	\$50,000,000 Fiduciary Liability
Elected Member:)	\$1,000,000 Fidelity
Appointed Member:)	ST. PAUL TRAVELERS, ARCH, NATIONAL UNION INSURANCE
Staff Employee:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2007.

The actuarial liability for active members was	\$30,051,407
The actuarial liability for vested terminated members was	1,030,671
The actuarial liability for non-vested terminated members was	296,435
The actuarial liability for retired members was	<u>32,402,598</u>
The total actuarial liability was	63,781,111
System assets as of that date were (actuarial value)	<u>43,030,331</u>
 The unfunded actuarial liability was	 <u>\$20,750,780</u>
The ratio of system's assets to total actuarial liability was	67.5%
As of that date the total covered employee payroll was	\$12,157,888

The normal cost for employees on that date was 8.09% of payroll

The normal cost for the employer was 5.22% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.25% per annum

Rate of Salary Increase: 4.75% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2007	\$43,030,331	\$63,781,111	\$20,750,780	67.5%	\$12,157,888	170.7%
1/1/2005	\$39,090,001	\$57,159,548	\$18,069,547	68.4%	\$11,673,582	154.8%
1/1/2003	\$34,826,216	\$52,857,297	\$18,031,081	65.9%	\$11,668,354	154.5%
1/1/2001	\$34,400,927	\$45,223,388	\$10,822,461	76.1%	\$11,319,477	95.6%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement in Past Years										
Superannuation	5	8	9	8	31	10	10	7	6	7
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	1	0	0	0	0	1	0	1	5	1
Total Retirements	6	8	9	8	31	11	10	8	11	8
Total Retirees, Beneficiaries and Survivors	189	190	190	188	210	211	212	214	220	224
Total Active Members	426	421	452	442	401	417	393	400	392	401
Pension Payments										
Superannuation	\$1,156,443	\$1,263,957	\$1,348,835	\$1,459,285	\$1,555,705	\$1,972,773	\$2,128,905	\$2,229,060	\$2,343,821	\$2,448,277
Survivor/Beneficiary Payments	123,259	122,299	122,202	109,371	103,849	100,701	107,010	136,066	155,672	165,053
Ordinary Disability	10,010	6847	21,552	20,981	21,565	22,155	22,753	23,357	22,960	15,806
Accidental Disability	121,189	145,656	149,735	151,337	153,772	179,134	175,759	192,784	278,987	304,727
Other	253,271	133,288	134,321	129,298	262,695	297,081	358,672	346,485	319,679	303,126
Total Payments for Year	<u>\$1,664,172</u>	<u>\$1,672,047</u>	<u>\$1,776,645</u>	<u>\$1,870,272</u>	<u>\$2,097,584</u>	<u>\$2,571,844</u>	<u>\$2,793,098</u>	<u>\$2,927,753</u>	<u>\$3,121,119</u>	<u>\$3,236,989</u>

PERAC

Five Middlesex Avenue | Suite 304

Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac